STRENGTHENING KENYA'S DEVELOPMENT STRATEGY: OPPORTUNITIES AND CONSTRAINTS

by

Tony Killick

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INSTITUTE FOR DEVELOPMENT STUDIES
UNIVERSITY OF NAIROBI
P.O. BOX 30197
NAIROBI, KENYA

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ABSTRACT

This paper develops a critique of the strategy of 'redistribution through growth' presented in the 1974-78 Development Plan in order to identify ways in which the strategy and policies could be improved for the future. The internal consistency of the strategy is examined and the adequacy of various of its key features is evaluated. Inferences are drawn about directions in which the strategy could be strengthened but it is suggested that adoption of some of these may not be politically feasible. The final section, therefore, looks at a strengthened strategy of redistribution through growth as an expression of political realities. It concludes that these realities impose considerable constraints on the feasibility of such a strategy, calling into question the possibility of adequate reforms within existing economic and political structures.

STRENGTHENING KENYA'S DEVELOPMENT STRATEGY: OPPORTUNITIES AND CONSTRAINTS

BACKGROUND AND OUTLINE

The concept of 'redistribution through growth' has come strongly to the fore in recent writings on economic development.[1] The essential feature of this development strategy is the notion that income inequalities (and the associated poverty and underutilisation of labour) can be reduced by a policy of sustained, perhaps accelerated, overall growth of GNP combined with measures to ensure that the resulting increments to income accrue primarily to the poor. The main elements of such a strategy, as presented in the literature, are as follows:-

(a) Sectoral priorities which particularly favour smallholder agriculture and rural and urban 'informal' activities; negatively, a lower-order priority for the development of modern industry and large-scale plantation farming.

(b) Rural development linked to the increased emphasis on smallholder agriculture, but a broader concept of integrated and simultaneous improvement in rural productivities and rural amenities. This aspect is commonly linked to prescriptions for a decentralisation of planning.

(b) Factoral priorities which favour labour-intensity and economise on the use of capital and foreign exchange. The adoption of more appropriate technologies is central to this aspect of the strategy.

(d) Population restraint is also an integral part of the strategy in countries with rapidly expanding populations because of the close connection between population growth and poverty and unemployment.

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1. Chenery et al (6) contains the most comprehensive treatment of this strategy. This book is reviewed by Killick in Eastern Africa Economic Review, June 1976.

One of the most interesting features of Kenya's 1974-78 Development Plan (21) is that it was perhaps the first national plan to consciously adopt a version of this strategy, and it includes all the elements just listed. It is no accident that the planners should have adopted this type of strategy because the 1972 ILO report on Kenya (15) presented an early and influential version of redistribution through growth, and that report had an obvious impact on the thinking of the Plan's authors. Although there is still continuity with earlier strategies, a significant change of emphasis is noticeable in the 1974-78 Plan, towards equity and employment objectives, and away from the pursuit of growth for its own sake. Compare the following quotations, the first from the seminal 1965 Sessional Paper on African Socialism and the second from the 1974-78 Plan:-

(1) The ultimate objectives of African Socialism are clear.... The most important of these policies is to provide a firm basis for rapid economic growth. Other immediate problems such as Africanization of the economy, education, unemployment, welfare services, and provincial policies must be handled in ways that will not jeopardise growth. (17, p. 18)

(2) Improved income distribution and greater employment - *the primary objectives of this plan* - can be achieved only if economic growth occurs at a greater rate than heretofore. (21, p. 148; my italics)

What follows consists of a critique of the Plan's strategy and policies, designed to indicate directions in which the strategy could be strengthened in future planning. Because the objective is to locate points of weakness, the paper does not pretend to offer a balanced evaluation of the Plan and should not be read as an attack on its authors. The Plan is arguably the most interesting and professional to have been published in East Africa. That its positive virtues are not much discussed below is not due to a desire to carp but to identify ways of making further improvements in the future.

Since this paper relies heavily upon an analysis of the Plan, some justification is needed, both because academics tend to take plan documents too seriously and because the oil crisis quickly rendered many of the Plan's targets and projections obsolete. However, this paper is mostly concerned with the ideas and policies in the Plan, rather than its numbers. And the question of whether the Plan deserves to be taken seriously is implicitly treated in the final section of this paper.

The section which follows identifies certain potential inconsistencies in the strategy -- some general, some specific to Kenya -- and looks at the extent to which they are guarded against in the Plan. The third section turns to examine the adequacy of the strategy and its policies in certain key areas: the size distribution of income, the regional distribution of income, technology choice, rural labour absorption, and population growth. The fourth section briefly summarises the inferences that can be drawn for future planning, but the final section then takes up the question whether political constraints in Kenya are such that it is unrealistic to expect a strengthened strategy of redistribution through growth to be effectively implemented.

QUESTIONS OF INTERNAL CONSISTENCY

Since Kenya's strategy of redistribution through growth is aimed at a number of goals - equity, employment creation and accelerated growth, to say nothing of economic independence, external equilibrium, and so on - it is to be expected that inconsistencies or trade-offs may arise between them. However, once these tensions are recognised there is a good deal that policy-makers can do to reconcile the objectives, by sharpening their priorities and by the choice of multiple policy instruments which avoid or minimise the incidence of goal conflicts.[2] The danger that potential conflicts will become actualities is, therefore, strongly influenced by the extent to which the tensions are acknowledged and policies chosen to minimise them.

The position taken in this section is that there are a number of potentially important trade-offs which are insufficiently recognised in the Plan and which thus may undermine the strategy. These are briefly discussed in the following numbered paragraphs.

(1) First, there are questions about the quantity of saving and investment. Since the Plan states that the rich should bear proportionately more of the cost of the development effort (see below), the risk arises that this equity

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2. See Tinbergen (46) for a discussion of relationships between objectives and instruments.

goal, if implemented, could diminish the incentives to save and invest, thus reducing the rate of capital formation and tending to slow the growth of the economy. This is a general point about redistribution through growth but may be particularly pertinent to the Kenya case because, according to data in the Plan, both business and personal saving are large relative to total saving, each contributing about two-fifths of the total. Depending upon how it were done, making the tax system more progressive would thus risk reducing the quantity of saving. There is, unfortunately, no discussion of this problem in the Plan, which, for example, projects personal saving to grow at 6.2 per cent, or nearly as fast as the targeted expansion of GDP.[3] In the absense of a recognition of this problem, it is impossible to be confident that a negative effect on saving would be minimised by the chosen tax instruments. Quite apart from possible disincentive effects via a reformed tax system, it could also be that the greater emphasis in the Plan on rural investment and labour-intensive projects may reduced the quantity of investment because the novelty of this approach, and biasses against it in some of the implementing agencies, may make it difficult to identify the new types of project in sufficient numbers. Again, the Plan offers no specific assurance against this possible trade-off between growth and equity.

(2) The second issue concerns the productivity of investment. One of the attractions of redistribution through growth, with its emphasis on labour intensity (implying higher productivities of capital) and the restructuring of investment towards the rural economy (where capital-output ratios may be smaller), is that it may reduce the overall capital-output ratio. This would help to counteract the historical tendency for the overall incremental capital-output ratio to go up in Kenya.[4] However, there is no guarantee that this

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3. For saving data see the Plan (21) pp. 48-9, 169. The projected rate of personal saving is on p. 157. There is, of course, a hoary controversy about the effects of taxation on incentives to save and invest. For evidence from Africa that this may be a real problem see Bhatia (3) whose results suggest that about 80 per cent of a given marginal increase in the tax-GDP ratio is 'financed' out of private saving.

4. It can be estimated from the national accounts that the gross incremental capital-output ratio went up from an average of 2.71 in 1968-70 to 3.16 in 1971-73, using a one-year time lag. Estimates by the World Bank (51, p. 136) also provide evidence of a rising gross ratio. Surprisingly, their figures do not indicate lower ICORs in agriculture than for the economy as a whole and (p.137) they actually assume a lower ICOR in manufacturing than in agriculture. See also Powell (42, Table 14).

trend will be arrested and there are likely to be forces at work pulling in the wrong direction, in addition to the historical one.

To illustrate: Hunt (13) and others have shown that it is the relatively wealthy and large farmers who are likely to be progressive innovators and it is they, indeed, who benefit proportionately the most from the agricultural extension services (see footnote 13). But redistribution through growth entails a reorientation of such services towards the poor smallholder, a fact which the Plan recognises by stating that "Previous tendencies to concentrate attention on the more progressive farmers will be avoided". (21, p. 206) But to effectively reach large numbers of less progressive farmers could require a much enlarged investment of resources and, in the medium-term at least, may result in lower returns from these resources than with a 'progressive farmer' strategy. It would all depend upon the specific ways in which the extension policies were altered but these specifics are not spelled out in the Plan, perhaps because they had not been formulated. So, once again, the danger of a trade-off remains.

Much the same can be said of special assistance to the less developed regions of the country: it is liable to be difficult and expensive. This (and an ambivalent government response) is brought out in the following passage from the Plan chapter on education (21, p. 412):-

> During the 1970-74 Plan period the Government attempted to encourage primary education [in remote areas] by providing boarding facilities at selected schools in these areas. The experience to date is that the cost per pupil has been extremely high and the actual response has been disappointing in terms of increased enrolment by people indigenous to these areas. Therefore, the Government will reduce the scope of this particular programme substantially until its effectiveness has been demonstrated. The Government, however, intends to test alternative means of promoting education in these areas....However, it recognizes that its scarce resources must be utilised with maximum effectiveness.

One of the unique features of redistribution through growth is that it envisages a shift of resources into the informal sector. Several writers (Leys, 34; Livingstone, 35; Kaplinsky, 16) have, however, expressed strong doubts about the dynamic potentialities of the informal sector, arguing that it is unlikely to generate much genuine entrepreneurial talent and that its progress is likely to be chiefly a function of the development of the modern sector of the economy. Child (7) puts a contrary view, but if the pessimists are right the implication is that large additional investments in the informal sector may have rather low returns, to say nothing of the difficulties of preparing well conceived projects for this sector.

Overall, the Plan does not address this danger of less productive investment and postulates no change in the incremental capital-output ratio despite the historically rising trend.[5]

(3) As will be discussed at greater length shortly, the Plan states that a very large-scale resettlement of smallholder farmers is necessary if further deteriorations in the employment situation are to be avoided. Here too care is needed to choose ways of achieving this which do not create a conflict between output growth and employment creation, because of the production effect of converting large farms into smallholdings. It is not suggested that yields are necessarily lower on smallholdings - there is evidence to the contrary[6] because of more intensive cultivation - but the fact is that half the total area under crops on large farms is now devoted to wheat and sisal, which are little grown on smallholdings because they are believed best suited for large-scale cultivation.[7] A larger area still is devoted to ranching, where again there are believed to be scale economies. Converting large farms for smallholder cultivation without reductions in output and efficiency would thus depend upon the careful formulation of policies to guard against this threat. It would be necessary, for example, to consider replanting land to crops better suited to smallholdings, and to develop efficient small-scale techniques for wheat production and ranching. None of these things are impossible to achieve but they do require deliberate preparation. The Plan is silent on them.

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5. The ICOR implicit in the Plan is about 3.13, which may be compared with the 3.16 for 1971-73 reported in footnote 4.

6. See Central Bureau of Statistics (27) for evidence of higher yields and lower unit costs on settlement farms.

7. Of the total acreage under principal crops on large farms in 1974, 51 per cent was under sisal and wheat. However, less than a fifth of total large farm acreage was under any crops, most of it being uncultivated meadows and pastures. See <u>Statistical Abstract 1975</u>, (24) tables 90 and 91.

(4) The Plan (21, p. 158) envisages substantial inflows of foreign private capital, continuing at a rate equivalent to about 10 per cent of total capital formation but increasing in absolute terms from £16.5 million in 1972 to £28.0 million in 1978. Again, the question needs to be asked, whether this inflow is consistent with the government's equity objectives, since the managerial and technical personnel who come with the investment will naturally earn incomes which exceed average per capita incomes by very large multiples, and because of the profits earned.

A possible response to this question would be for the planners to say that they are primarily concerned with the distribution of income among Kenyans so that the existence of rich non-Kenyans would not breach government objectives. Although this would be a sensible way of defining the equity objective, as a defence it would imply a somewhat naive view of the connections between foreign private capital and the distribution of income among Kenyans. Leys (35, p. 147), for example, concluded his examination of foreign capital in Kenya in the following terms:-

> As for Africanisation, both of jobs and shareholding, although these were conceived of as measures for controlling the power of foreign capital, it was clear that they worked primarily to identify the government and the higher civil service more closely with the operations, interests and values of foreign capital. The results were monopoly profits, high rates of surplus transfer, low increases in employment and a falling share of wages in national income backed up by tight control over the trade unions.

In similar vein, Langdon (32, Part V) produces evidence of a symbiotic relationship between multinational corporations and the African elite in Kenya:-

> The benefits of symbiosis are shared: in the form of resources for the state, which helps the dominant African class, with its dependence on the state for capital accumulation; in the form of direct resources for that class, through high salaries, directorships, shareholdings, partnerships, subcontracting opportunities and, the evidence suggests, some illicit favours; and in the form of bargaining advantages and market privileges for the mnc sector, based on the informal political influence symbiosis generates.

So here too a potential trade-off is indicated between equity and the growth induced by foreign investment but it goes unacknowledged in the Plan.

It is not an inevitable conflict because progressive taxation could reconcile the two. Tax policies are discussed shortly, but Langdon's symbiosis implies that effective progressive taxation may be difficult to legislate and enforce, and there are also international constraints on the taxation of mnc profits.

(5) As already suggested in the quotation from Leys, yet further possible goal conflicts are posed by the policy of Kenyanisation, which the Plan states should be brought to completion by 1982. There are two possible trade-offs under this heading, one well recognised and one more subtle. The first is between employment creation, via Kenyanisation, and output growth. Given the already high cost of non-citizen labour, one would have to assume a severe degree of irrational prejudice on the part of employers to deny that Kenyanisation is liable to result in some productivity falls in the short- to medium-term. It seems likely that some such falls will occur as Kenyanisation progresses in the high-level labour force - a price which may well be worth paying but which nevertheless threatens the objective of accelerated growth.

Second, there are the income distribution effects of Kenyanisation. The essential point here is that many of the remaining non-Kenyan workers are employed in high-level professional and managerial occupations - jobs which normally attract the largest salaries.[8] With very few low-level jobs still in non-Kenyan hands, the remaining rounds of Kenyanisation will thus be liable to worsen the size distribution of income among Kenyans. What is posed here, then, is the risk of a conflict between the goals of employment creation and economic independence, on the one hand, and reduced inequality on the other. Again this would not necessarily be an irreconcilable conflict. Incomes policies and progressive taxation could be mobilised to effect a reconciliation, but a prior condition is that the risk be recognised,

8. The Statistical Abstract 1975, (24, table 225) records 18,581 non-citizens in wage employment in 1974. Of these 13,307 were classified as teachers or higher-level workers; 6,090, or about a third, were classified as 'professionals, directors, top-level administrators and general managers'.

whereas the Plan makes no mention of it.

(6) A last point relates to factor proportions and income shares. There are a number of proposals in the Plan which are designed to change factor price relativities, raising the cost of capital vis-a-vis labour, to assist employment creation. The Plan's discussion of incomes policy is set in this context; there is a proposal for increased taxation of imported capital goods; there is a hint (p. 183) that the structure of interest rates should be raised. (There has also subsequently been a devaluation, among whose effects have been a rise in the local price of imported capital goods.) Given the initial distortions in factor prices, this type of realignment is what could be expected from a plan which emphasises employment creation. But what will it do to the distribution of income? It all depends on the size of the elasticities of substitution: if they are generally smaller than unity, and constant, the effect of lowering the price of labour relative to capital will be to reduce the share of wages in total national income and to raise the share of returns to capital, which tendency would very likely spill over into adverse effects on the size distribution of income.[9] Unfortunately, we do not have any comprehensive estimates of elasticities of substitution in Kenya, but Maitha's calculations for Kenya manufacturing in the mid-sixties produced a mean elasticity of 0.72.[10] More recent, but less detailed, estimates by the World Bank, on the other hand, indicate larger elasticities in the modern sector.[11] It is also possible that over

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9. Where Qk and and Ql are the quantities of capital and labour employed and Pk and Pl are their prices, the elasticity of substitution (s) is given by:-

$$S = \frac{\Delta(Qk/Ql)}{Qk/Ql} \div \frac{\Delta(Pl/Pk)}{Pl/Pk}$$

Since Qk Pk determines the share of capital receipts in total income and Ql Pl determines the share of labour, when $S < 1.0$ the increase in Ql in response to a fall in Pl will be too small to compensate for the fall in Pl so that the product Ql Pl will diminish. It is, however, impossible to predict the effects on inequalities within either the wage earning or capitalist classes. Changes in those would add greater complexity to the overall outcome.

10. See Maitha (37) table 2. The elasticity of 0.72 quoted is an unweighted mean of the six industries for which Maitha calculated a value for S for two or more years in the period 1963-66.

11. The World Bank (51, pp. 127 & 148) derives elasticities of about 1.0 for manufacturing and 'other services' in 1964-70, and of 1.6 for commerce.

the longer term, if profits were reinvested in sectors and projects with relatively large labour-capital ratios, there would be an increase in the share of wages, although there is no assurance that this would happen. The evidence is, therefore, inconclusive but the suggestion that alterations in factor price relativities, while promoting employment, may have an adverse impact on the distribution of income is not one that should be ignored. Policies consciously chosen to guard against this danger would reduce the risk but this is not a topic discussed in the Plan.

We will return briefly on pages 24 to 27 to consider the implications of the points made above for future development strategy.

QUESTIONS OF ADEQUACY

To keep the discussion within manageable bounds, discussion of the adequacy of the Plan's proposals will be confined to five issues that can be regarded as central to an effective strategy of redistribution through growth in Kenya, namely:-

(a) the size distribution of income;
(b) the regional distribution of income;
(c) the choice of technology;
(d) rural labour absorption;
(e) population growth.

Each of these topics will be discussed in relation to the initial gravity of the problem confronted, the likely impact of the policies in question, and the speed with which their impact may be felt.

The Size Distribution of Income

One of the disadvantages suffered by the authors of the ILO report and the Plan was a dearth of hard data on key variables such as the magnitude of the employment problem, the incidence of poverty, and so on. One such gap was the absence of estimates of the size distribution of income in Kenya, but an estimate has since become available by a World Bank staff member, whose principal results are reproduced in Table 1. It would be unwise to treat the results in Table 1 as being more than first approximations. A variety of assumptions and estimating procedures had to be employed by the author, who was using secondary sources rather than primary research data. If only because they reveal a rather extreme degree of inequality, the estimates may

Table 1. Estimated size distribution of income in Kenya, 1969.[c]

Decile	% share of total income	Cumulative share	Per capita income (shs)[b]
	(1)	(2)	(3)
1st	1.8	1.8	157
2nd	2.0	3.8	174
3rd	2.6	6.4	226
4th	3.6	10.0	313
5th	4.0	14.0	348
6th	4.5	18.5	392
7th	5.2	23.7	453
8th	8.3	32.0	723
9th	11.7	43.7	1,018
10th	56.3	100.0	4,901
Average	-	-	871
Analysis of 10th decile:-			
Bottom 5%	12.0	-	2,090
Top 5%	44.3	-	7,715
Top 2%[a]	29.0	-	12,614
Top 1%[a]	18.5	-	16,168

Notes:

a. Estimated from Lorenz curve by Killick.

b. Per capita GDP at factor cost in current prices.

c. The Gini coefficient for this distribution is 0.60.

Source: for cols. (1) and (2), Morrisson (39).

be biassed in that direction, especially if one takes into account the ameliorating effects of transfer payments arising under extended family and other traditional obligations. On the other hand, the author is highly expert in this field and believed that Kenya offered favourable conditions for estimating income distribution. His findings are broadly consistent with the results of other studies[12] and the usual exclusion of capital gains from the definition of income tends to understate inequalities rather than the opposite.

We see from Table 1 a highly skewed distribution of income, with the poorest 50 per cent of the population receiving an estimated 14 per cent of total income and the richest 10 per cent obtaining 56 per cent of total income. Less than 20 per cent of the population is shown as receiving incomes equal to, or greater than, the mean per capita income (a fact which gives added weight to oft-repeated warnings on the dangers of using per capita income figures). And, at 0.60, the Gini coefficient is at the upper end of the scale of values generally obtained for this coefficient from income distributions.

So an assessment of the adequacy of the Plan's proposals to improve the size distribution of income has to start from initially severe degrees of inequality. It also has to be assessed in the light of the existence of forces at work tending to perpetuate the inequalities, with the rich acquiring accumulations of income-earning wealth; converting their economic advantages into political power which can, in turn be used to increase their economic advantages; buying superior educations (and hence future earning power) for their children; and so on.[13] On the other hand, the large initial inequalities can also

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12. Adelman and Morris (1) estimate shares going to the poorest 60 per centand the richest 5 per cent similar to the Morrisson results. Figures in the ILO report (15, Table 25) are also broadly consistent with Morrisson's estimates.

13. Kinyanjui (31) for example, finds considerable stratification among Kenya's schools and that "the inequalities among schools in most cases benefit the economically powerful groups in the country". More specifically, he finds that "the economic capacity of the parents is becoming crucial in determining who benefits from provision of elementary education and how far a pupil goes up the educational ladder". (p. 39) Hyden's (14) conclusions on the operation of co-operatives also point to ways in which wealth can be used to perpetuate inequalities. These include, (a) that "co-operative goals are subordinated in the interest of specific groups..." (p.89); (b) that among the problems of co-operative management "is the persistence in the rural areas of strong primary groups, whose objectives run contrary to the principles implied in the formal structure of marketing co-operatives..." (p. 108); (c) that "concern about maximum return to all members is not very strong among co-operative leaders and staff.... Union or society funds are used for purposes that are contrary to the economic interests of the ordinary producer-members" (p. 123); and (d) that many people take the view that 'co-operatives are for people with money' and are used as a means of control by the rich. (p. 142) Leonard (33) provides an example in which government services are tending to perpetuate inequalities. Studying agricultural extension services in the Western Province, he found that the 10 per cent 'progressive' farmers (who were also the more wealthy) received 57 per cent of total extension service visits, while the 47 per cent of non-innovators received only 6 per cent of visits. He found a similar, but less marked, tendency for the veterinary extension service.

be viewed as providing an opportunity, for, with so much income concentrated among the richest five to ten per cent, there is a large potential gain to be had from conventional fiscal measures of 'static' redistribution.

Viewed against this background, the present strategy for achieving greater equality seems inadequate. First, the whole emphasis in this area is on 'dynamic' redistribution, i.e. ensuring a better distribution of future increments to income. It is a danger of redistribution through growth that it may, consciously or unconsciously, serve to divert attention from the desirability of also striving for some static redistribution. This may appear an unfair criticism of the Plan, which does state (p. 3) that "the better-off members of the community will contribute proportionately more to Government revenue through taxation" and refers (p. 167) to the need for larger government revenues "through an increased elasticity of a reformed tax system". However, the need for reform is regarded in the Plan (pp. 168-9) as having been satisfied by tax changes already introduced in the 1973 budget, when the graduated personal tax was abolished, the sales tax introduced and various improvements made to the income tax. In consequence, an essentially unchanged structure of taxation is projected, with receipts from personal income tax expected to increase only at 3.3 per cent annually in 1972-78. (See also page 35 below.)[14]

Given the large initial inequalities and Westlake's findings that, prior to the 1973 changes, the structure of tax payments had a neutral or regressive effect on the distribution of personal incomes,[15] the Plan's proposals are unlikely to bring reasonable improvements in the medium-term. (See also Thimm, 45.)

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14. See Plan (21, p. 156) which projects direct taxes on households as rising from £30.6mn. in 1972 to £37.4mn. in 1978. For detailed revenue projections see p. 169.

15. Westlake (49) studied the impact of direct and indirect taxation in Kenya in 1970/71. He concluded that:-

> in the absence of tax evasion the overall tax structure over household income ranges up to shs. 2,000 per month is at best neutral and at worst regressive ... above shs. 2,000 per month ... overall taxation does become progressive. However, less than 1 per cent of the African population fall into this high income range. (p. 19)

But he also found widespread tax evasion, especially among the highest income brackets, which effectively removed the progressivity at the upper end and left the overall structure mildly regressive. (See his table 11, lines 9 and 10.)

The Regional Distribution of Income

While the planners could in 1973 plead ignorance of the size distribution of personal incomes, they could not use that defence with respect to regional inequalities. There is admittedly a dearth of published regional data on the distribution of economic activity in Kenya, but the ILO report was able to assemble sufficient data to show that large disparities existed between various parts of the country. Further information has since become available and some of the chief indicators are summarised in Table 2 below.

The first four columns provide indicators of relative development by province. Column (1) relates formal sector wage employment to total labour force; column (2) reproduces recently available statistics on the location (not place of registration) of motor vehicles, per thousand of the population; column (3) reproduces Heyer's estimates of marketed agricultural output per capita; and column (4) shows average earnings per wage worker, expressed as a percentage of the national average. Large inequalities are apparent in each case, although the figures conceal the additional fact that there are big intra-province differences.[16] Nairobi, of course, emerges as the most highly developed region, and the Nyanza, Western and North Eastern Provinces as relatively underdeveloped. The size of the differences between the various provinces invites an obvious conclusion: that regional disparities are part of Kenya's problem of inequality. This was an important aspect of the initial situation confronted by the planners.

It was also, as the ILO report pointed out, a problem that was being reinforced by the existing pattern of government spending. (15, pp. 78-81 and 300-303) A specific illustration is given in column (5) of Table 2, which relates the availability of hospital beds to province population size; the point is more generally illustrated by the data on total government spending per capita in column (6). Exactly the same pattern emerges as from columns (1) to (4): Nairobi is disproportionately the most favoured region, and Nyanza, Western and North Eastern are the least favoured.[17] If we take column (2) as providing the most general indicator of relative

16. See source of column (3). See also Nyangira, (41, table IV, p. 47) and ILO, (15, Table 28).

17. An estimate by Singer and Reynolds, (44) of a population-adjusted index of service availabilities indicates rankings very similar to those in cols. (5) and (6).

Table 2. Economic indicators by province.

Province	Recorded wage employment as % of total labour force, 1974[a]	Motor vehicles per 1000 of population, 1973[b]	Marketed agric. output per capita, 1969 (£)[c]	Earnings per wage worker as % of national average, 1969[d]	Hospital beds per 1000 of population, 1973/4[e]	Govt. expenditures per capita 1972/3-1973/4 (£)[f]
	(1)	(2)	(3)	(4)	(5)	(6)
Nairobi	79.9	147.7	n.a.	238	47.6	80.3
Coast	19.5	13.8	2.92	145	14.1	26.2
Rift Valley	19.7	8.6	2.56	60	11.8	16.1
Central	20.3	7.9	5.37	66	16.7	15.6
Eastern	7.3	3.1	3.66	43	12.6	9.8
Nyanza	6.6	2.9	1.86	58	6.8	8.0
Western	6.9	1.5	1.69	46	10.9	7.9
North-Eastern	2.7	1.1	n.a.	121	9.3	9.7
WHOLE COUNTRY	16.5	13.1	3.07[g]	100	13.5	16.0

Notes: a. Estimated from Rempel (43) revised data and Statistical Abstract 1975 (24, Table 223).

b. From Kenya Statistical Digest, (28, table 5, p. 9). This source was used to obtain the population estimates needed for cols. (1), and (3).

c. From Heyer (9, table 7). Dr. Heyer cautions that these figures may give an overstated impression of regional disparities but thinks that the rankings are likely to be correct even if the absolute figures are not.

d. From House (11), Table 2.

e. Includes hospital cots. Source: Economic Survey 1975, table 16.3.

f. These figures refer to both recurrent and development expenditures and are averages for the two fiscal years indicated. Source: Ministry of Finance and Planning.

g. Weighted mean of the six provinces for which figures are provided.

development, reflecting both agricultural and formal-sector activities, we find a Spearman's rank coefficient of correlation between columns (2) and (5) of 0.81 and between (2) and (6) of 0.93.

This evidence of a close association between government spending patterns and regional inequalities is strongly consistent with the findings of other studies. The most important of these is Nyangira's investigation of relative modernisation and public resource allocation. (41) He found a strong statistical relationship, at the district level, between the level of modernisation and the allocation of public resources - a relationship, he suggests, which runs causally from the former to the latter. Less powerful but still significant, he found resource allocation to be statistically (and causally, in his view) associated with certain political variables, the most important of which was the number of ministers and assistant ministers originating in each district. A 1974 study of the distribution of educational resources by Kinyanjui points in the same direction, concluding (31, p. 39) that "educational benefits are being distributed in favour of the economically and politically powerful districts and provinces".

To sum up, we have seen there to be large and systematic inequalities in the regional distribution of economic activity and that past patterns of government spending have tended to reinforce these inequalities. The obvious policy implication is that an adequate strategy for improving the distribution of income would have to incorporate regional policies designed to mitigate these inequalities and to reverse the tendency for government spending patterns to aggravate the inequalities, but there is an almost complete absence of regional policies from the Plan. There is no chapter in it which deals specifically with the regional problem, few regional data are presented and there are virtually no regional targets. This neglect represents a clear retreat from earlier positions. For example, one of the chief ILO recommendations in this area was that the government should set regional quotas (maxima for Nairobi and minima for the neglected regions) for education, other government services and for civil service recruitment. The initial government response to these recommendations was positive:-

> The Government is aware of the fact of regional inequalities in the distribution of welfare, services and amenities.... The Government accepts that geographic quotas are probably necessary for a variety of services, activities and programmes.... Current planning practices and procedures will be examined with a view to introducing geographic quotas for a variety of services and amenities and for expenditures during the next [1974-78] Plan period. (20, paras. 242-43)

However, these aspirations find little reflection in the Plan. There are no geographical quotas for education and other social services, nor for overall government spending, nor for civil service recruitment. There is, it is true, a commitment to the establishment of District Development Committees (but only with grants of £25,000 p.a.). This commitment is being implemented and their funds have since been increased. But these Committees are not set within the framework of a strategy for reducing geographical disparities and could, indeed, help to perpetuate them. It is also not clear that they represent a genuine decentralisation of planning, as often advocated in a strategy of redistribution through growth, for final approval of spending by the District Committees remains with Nairobi.

In the area of industrialisation there also appears to have been a retreat from regional policy, for while the 1970-74 Plan did, at least on paper, articulate an industrial location policy designed to "widen the geographical dispersal of the benefits of industrialisation", the 1974-78 Plan is largely silent on this subject.[18]

In this field of regional policy, therefore, the Plan's strategy must be judged inadequate. It gives no reason for expecting a significant decrease in the extent of regional disparities, nor does it even give grounds for believing that the pattern of government spending will stop reinforcing these disparities.

The Choice of Technology

There appears to have been agreement between the authors of the ILO report and the government that too often in the past choices of productive techniques have not been well suited to local conditions, especially in their bias towards capital intensity. (see 20, paras. 106-115) In the brief outline of redistribution through growth at the beginning of this paper the adoption of more appropriate technologies was mentioned as an integral part of the strategy, and the discussion on questions of internal consistency indicated at a number of points why this is likely to be of critical importance in avoiding some of the goal conflicts discussed there. Thus, the danger that a restructuring of investment so as to primarily

18. Compare the 1970-74 Plan (18), chapter 10 (especially pp. 324-27) with the 1974-78 Plan (21), chapter 12. This latter has no section dealing with location policy, although it does contain proposals for encouraging rural industry.

benefit the poor may result in reduced productivities of capital would be diminished if the relevant type of technology, e.g. for use in the informal sector, were already available. Similarly, the danger that the resettlement of smallholders on formerly large farms would result in output losses could be minimised if improved cultivation techniques were already available for profitable adoption by smallholders. Lastly, the risk that altering factor price relativities may have adverse effects on the distribution of income would be reduced if alternative labour-intensive techniques were known and available; the elasticity of substitution is likely to be very sensitive to knowledge of alternative technologies.

But if the adoption of more appropriate techniques is crucial to the strategy, it is also a difficult area for national policy makers to operate in effectively. So far as Kenya is concerned, the Plan's chapter on technology makes two principal proposals. The first is to implement a proposal made in the previous plan to set up a National Council for Science and Technology. This is given fairly wide terms of reference but would be essentially advisory in character, with only limited resources of its own. At the time of writing, however, it has still not been formally established.[19]

The second chief policy proposal is that the government should increase its own expenditures on research and development - from an equivalent of 0.91 per cent of GDP in 1971 to 1.0 per cent in 1978. It may be doubted whether the necessary improvements in technology can be bought with 0.09 per cent of GDP. Various other proposals in this area by the ILO report which were at the time accepted by the government are absent from the Plan. But perh ps most disquieting of all, the Plan's chapter 8 on technology is not written around the theme of appropriate technology at all and therefore does not place any particular emphasis on the needs of the informal sector, or smallholders, or of semi-arid farming areas, or for labour-intensity. Thus, while admitting that

19. In July 1976 the government introduced a bill into Parliament which would have set up the council with an annual budget of only £56,000. M.P.s were, however, critical of such a large sum and, especially, of an alleged preponderance of civil service Permanent Secretaries on the proposed council. In the face of these criticisms the government withdrew the bill for a six-month 'cooling-off period'. (See issues of the Daily Nation and the Standard, Nairobi, of 16 July 1976.)

this is a difficult policy area, it is nevertheless hard to believe that the Plan proposals are either adequate to the importance of the subject or go as far as they could.

Rural Labour Absorption

The Plan (21, p. 4) provides employment projections which envisage a 21 per cent increase during 1972-78, or an annual growth of 3.2 per cent. The urban informal sector is projected to absorb additional labour at the fastest rate (7.5 per cent), but it is necessarily the rural economy that must absorb the largest absolute number - 695,000 out of a total expansion of 1,122,000. It is therefore not surprising to find it claimed a few pages later that,

> In order to achieve the employment goals set out in this Plan, it is estimated that 350,000 new agricultural smallholdings must be created by 1978. To achieve this the Government will redefine the size of all co-operative and low-density settlement schemes, and the criteria for land ownership.... (21, p. 8)

Thus, the initial situation was one of substantial un- and under-employment,[20] a rapidly growing labour force, an inability on the part of the modern sector to solve more than a modest part of this problem, and a consequential necessity for smallholder agriculture to bear a great deal of the burden.

A clear implication of the Plan paragraph just quoted is that re-settlement programmes will be a central feature of policies to increase rural labour absorption, but it is worth pausing to consider the implications of the target of 350,000 new smallholdings. The figures below set out estimates of the total area of arable land that would be required for 350,000 new smallholdings on three alternative assumptions. The first is that new settlements would be the same average size as under past resettlement schemes, namely 12.4 hectares. The second assumes an average size equal to those specifically proposed in the Plan, namely 10 hectares. The third assumes the new smallholdings would be of the same size as the 1969 national

20. Landlessness is an important aspect of this. Mbithi (38, p. 201) confirms the rough estimate in the ILO report of about 300,000 landless migrants in 1969 and suggests that this number is growing at about 15,000 per annum. This implies a total of about 400,000 landless in 1976.

average for all smallholdings, namely 3.4 hectares.[21] The total area required under these three assumptions is:-

	000 hectares
Assumption 1	4340.0
Assumption 2	3500.0
Assumption 3	1190.0

So, depending upon the chosen assumption, a total area of between 1.2 and 4.3 million hectares of arable land would be required. Now compare this with the following data on the area under large farms in 1973:-[22]

	000 hectares
Total area	2647.7
of which:-	
under crops	440.8
under major crops commonly grown on smallholdings	173.9

Thus, if it were taken seriously, the implications of a resettlement of even a significant proportion of the 350,000 smallholders on existing large farms are enormous - the more so because many of the 'large farms' are co-operatives, or multi-partnerships, or companies involving large numbers of cultivators. Perhaps no more than a fifth of the large-farm area is under single ownership and thus potentially able to absorb a large incre e in the number of cultivators.[23] Single ownership would have to be virtually

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21. These average areas are computed from data provided in the Plan, (21, chapter 10) and the ILO report (15, table 3, p. 36).

22. Source: <u>Statistical Abstract 1975</u>, (24), tables 90 and 91. We may also compare the areas resulting from the 350,000 target with the official estimates of the <u>total</u> national area of high-potential land of 6.8 million hectares and of medium-potential land of 3.2 million hectares. (24, table 76) Most of this is, of course, already farmed.

23. Data on land transfers in the Trans Nzoia District in 1964-69, which are thought to be fairly representative of the national picture, indicate that of the total area transferred 53% was farmed by multi-partnerships, 9% by co-operatives, 17% by companies and 21% by single owners. (c.f. Heyer et al, 10, p. 240)

eliminated for the large farms to be able to make a significant contribution to rural labour absorption, although it may well be that the co-operatives, partnerships and companies could also absorb higher densities.[24]

However, if they turn to the chapter in the Plan dealing with agriculture and resettlement the large farmers can breath again. For there is no mention in it of the 350,000 target; the only specific provision in the Plan for new resettlements is for a total of 18,000 holdings, 14,000 under the Shirika programme and 4,000 from state lands. (21, chapter 10, especially pp. 225-30) Moreover, nothing further has been heard since the publication of the Plan of its commitment to "redefine the size of all co-operative and low density settlement schemes, and the criteria for land ownership".[25] In the absence of alternative proposals in the agriculture chapter to meet the 350,000 target, one is forced to the conclusion that there is no coherent land policy in the Plan.

In fact, the information set out here makes it seem most unlikely that resettlement on large farms could make more than a secondary contribution to the absorption of rural labour. Most would have to be absorbed by the sub-division of existing smallholdings and by movements on to land hitherto considered marginal. This carries strong implications for the desirability of policies to develop cultivation practices that will permit more intensive land use without adverse effects on soil and yields, and for successful farming in semi-arid or drought-prone areas. The absence from the Plan of adequate proposals in these directions and of convincing land policies implies that, if its employment projections are even approximately correct, the already large problem of landlessness (see footnote 20) is doomed to worsen.

Population Growth

Because of its close connection with the incidence of poverty and unemployment - to say nothing of its effects on the growth of per capita income - it was suggested early in this paper that policies to prevent rapid population expansion are to be regarded as an important aspect of redistribution policies.

24. The 350,000 target may also be compared with the total number of 55,000 to 60,000 families resettled in the entire post-independence period (estimated from Plan chapter 10).

25. The ILO report proposed a ceiling on the amount of land which an individual may own but the government did not comment on this in the Sessional Paper on Employment. (20, p. 34)

through growth. The Plan (21, pp. 99-102) seems to take a similar view for Kenya. It points out that the rate of population expansion has been accelerating during the last quarter-century, rising to the very rapid 3.5 per cent per annum in 1969-74; it draws attention to the existence of a child dependency ratio greater than one; to high densities on the most fertile land; and to a close connection between these trends and the employment problem. It reproduces alternative population projections amply demonstrating the great problems that a continuation of these trends would create for the future, and the benefits to be derived from reduced growth.

Thus rapid population growth appears to be identified as a foremost economic problem - until one turns to the two paragraphs which the Plan devotes to the policy response to this problem. (21, paragraphs 3.58 and 3.59) The first of these summarises the components of the then existing family planning programme; the second, which consists of two short sentences, states the cost of the programme in the plan period to be K£10.8 million. In effect, the Plan announces that past programmes are to be continued, the implication being that these will be sufficient to cope with the problems just summarised. There are, unfortunately, reasons for doubting whether a continuation of past policies would be an adequate response. Consider the following:-

- the rate of population growth has continued to accelerate since the adoption of an official population policy in 1967;
- there are high drop-out rates: Gachuhi (8) found that as many women drop-out of the programme as are newly recruited in any given month, with 82 per cent of women using contraceptive methods other than the IUD having dropped out within one year of entering the programme;
- only about 3 per cent of women of reproductive age are employing contraception through the family planning programme;[26]
- even though the great majority of women are still not reached by the

26. This estimate is taken from Bondestam, (4), p. 34, updated by the author to 1974.

programme, its rate of expansion has slowed down dramatically;[27]

- costs per acceptor are very high;[28]
- the targets for trained family planning personnel presented in the Plan imply highly unfavourable ratios of staff to the population at risk.[29]

In fairness, it should be added that since the Plan was written the government has reached agreement with the World Bank on a family planning programme for 1974-78 with ambitious targets. This has, however, so far been unable to arrest the deceleration revealed in footnote 27, with new acceptance rates running at only about two-fifths of the target (25, p. 162), so it remains uncertain whether this new programme can overcome the weaknesses referred to above. It is not clear that it is set in the framework of a long-term demographic strategy, there apparently remains ambiguity about whether the policy is health oriented or development oriented, senior members of the implementing agency (the Ministry of Health) remain unconvinced of the desirability of a population policy, too much of the impetus has come from external aid agencies leaving the position of the government rather ambivalent, and family planning publicity remains notable by its absence.

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27. Take the following annual rates of increase in visits to family planning clinics:-

	First visits	First visits and re-visits
1967-68	106%	107%
1968-69	127%	145%
1969-70	18%	45%
1970-71	17%	21%
1971-72	10%	21%
1972-73	11%	20%
1973-74	3%	10%

Source: Statistical Abstract 1975, (24), table 191.

28. Bondestam, (4), p. 34, estimated the cost-per-acceptor in Kenya to be $31 in 1969-70, which figure can be compared with a median for 18 other LDCs in 1969 of $14. (See World Bank, 50, p. 208.)

29. According to the staff targets in the Plan, there would be one trained family planning worker for roughly every 4,350 women of reproductive age, compared with a median ratio of 1:833 quoted for a large sample of LDC's in 1968. (Berelson, (2), p. 361).

Certainly for the Plan, and most probably in terms of subsequent moves, it seems reasonable to categorise family planning policies as quite inadequate.

APPARENT IMPLICATIONS FOR FUTURE PLANNING

To repeat, the foregoing criticisms should not be read as an attack on the Plan and planners. The plan has yet to be written which could not be substantially criticised, for they are written in a second-best world and their authors operate within often severe constraints. Nor should what has been written be interpreted as rejecting the basic strategy of redistribution through growth for Kenya. In fact, the decision to adopt such a strategy was an important step forward. Rather the intention has been to probe for weaknesses in the strategy in order to identify directions in which it could be improved for future planning.

It is not too difficult to draw some inferences from what has been said. One is that the various potential inconsistencies and trade-offs between the government's development objectives should be more explicitly recognised, that multiple policy instruments should be selected to minimise the risk of conflict, and that priorities should be set between objectives so that rational choices can be made in the face of unavoidable goal conflicts. More specifically, the planners should give a fuller consideration to the error that the pursuit of employment and equity does not necessarily pull in the same direction as accelerated (or even sustained) economic growth.

The apparent implications of the analysis for future planning are similarly obvious when it comes to those aspects of the strategy which are criticised above as inadequate: if they are inadequate strengthen them. This implies, among other things, a direct assault on the extremely skewed size distribution of income; the formulation of policies of regional equalisation; a more coherent approach to land ownership and labour absorption in agriculture; a more dynamic population policy.

To proceed to a lower level of generality, a variety of specific suggestions could be made which might help remedy the weaknesses identified. It has already been suggested, for example, that the strategy on technology is inadequate and that more convincing policies in this area could (a) reduce the dangers that a restructuring of investment in favour of the poor and of labour-intensity may result in reduced productivities of investment,

(b) reduce a possible trade-off between agricultural production and a shift to smallholder cultivation, and (c) reduce the threat that altering factor prices in favour of labour-intensity might worsen the size distribution of income. This would involve a larger and more dynamic technology programme than that announced in the Plan, including a re-examination of ILO proposals that have since been lost sight of. Institutions that could comb the experiences of other developing countries and of the most recently 'developed' countries would be desirable, to see what could be learned from them and to arrange technical assistance from these sources. In the field of agriculture, an adequate technology policy would necessitate a conscious re-ordering of the country's considerable research capacities away from its bias towards large-farmer problems and towards the interests of the smallholders[30] - into work on the development of disease- and drought-resistant (and hence risk-minimising) food varieties, economical methods of small-scale ranching, smallholder land conservation, and so on.

The adoption of a more progressive (less regressive) tax system has emerged as an important recommendation at several points and one with a substantial potential given the concentration of income in the richest 10 per cent. This would not only make a direct contribution to the equity objective but would also help to reduce the tensions between the objectives of an improved income distribution, on the one hand, and the pursuit of Kenyanisation and foreign private investment, on the other. What is needed is to capture for Kenya the progressivity that has been found to exist in Tanzania's tax system. (Huang, 12) One avenue which suggests itself here is to redress the failure to tax wealth, for example through the taxation of land and more stringent taxation of urban property.[31]

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30. Given the apparently high priority attached to agricultural research in Kenya, the results for small farms have been disappointing .... This tends to be the case particularly in the medium and low potential farming areas. It is also true that research has been concentrated on the high value cash crops rather than foods, with the exception of maize, wheat and dairy products which were the mainstay of the European mixed farms....Research still tends to emphasise large rather than small farm needs. (Heyer and Waweru in 10, pp. 203-4)

31. Chelliah et al, (5) give the following figures of taxes on property as a percentage of total tax revenues, using means for 1969-71:-

47 developing countries	5.0%
13 African countries	2.4%
Kenya	0.4%

One could continue in this vein: on the need for policies of regional equalisation, perhaps returning to the ILO recommendation for quota systems; on the need to come to grips with the land and large-farm issues, for example by converting single-ownerships into co-operatives or other forms of collective operation, or by imposing maxima on individual land holdings; on ways of making population policy more effective, with more positive leadership from the top. By culling the literature and personal experience, it would be a relatively easy task to draw up a fairly long list of specific policy recommendations.

But this raises a basic question: is a shortage of ideas a major constraint on the improvement of policies or does the problem spring from more fundamental forces at work in the political economy? Many of the policy recommendations that can be inferred above are likely to adversely affect individuals and organisations benefiting from already existing policies. These are powerful agents, economically but also politically. It is therefore naive to propose policy changes without thinking about their acceptability to those who control large political resources within the country. This is obvious when we talk about the taxation of wealth, land reform, and a shift of public resources away from the large farmers in favour of smallholders; it is scarcely less so in the matter of regional equalisation, which would involve a relative transfer of resources away from favoured areas towards tribal groups that have traditionally been antipathetic to the ruling party. For a plan or a policy strategy to have meaning there must be a firm degree of political commitment to it, otherwise it is mere rhetoric, camouflaging the government's real intentions.[32] The issue thus arises, can an effective strategy of redistribution through growth be thought of as reflecting political realities in Kenya?

The improvments that can be inferred from the earlier parts of this paper also pose another type of political-economy question. Recommendations for the setting of goal priorities, for the judicious selection of multiple policy instruments to minimise goal conflicts, for more adequate

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32. Many have agreed with Waterston, (48), p. 340, that "lack of government support for the plans is the prime reason why most are never carried out successfully".

policies on technology, land tenure, population and so on - these carry the implicit assumption that Kenya's political system, governmental decision-making processes and public administration would be capable of handling these new demands efficiently. That is the economist's normal assumption but it should not go unquestioned, for it does no service to make institutionally impracticable recommendations.

The final section of this paper therefore takes up these issues, to examine the political feasibility of improving Kenya's development strategy along lines already suggested and to explore the extent to which the political realities (interpreted broadly to refer also to institutional and administrative aspects) constitute a constraint upon the improvement of policy. This is approached at three levels. The first is a prioristic, seeking to infer reasonable presumptions from the nature of the problem and Kenya's political system. The second looks for clues in the government's responses to the recommendations of the ILO report. The third approach examines certain decisions that have been made subsequent to publication of the 1974-78 Plan, in order to gauge the degree of political commitment to the strategies of the Plan.

QUESTIONS OF POLITICAL-ECONOMY

An A Prioristic Approach

We can start with the pessimistic views expressed in Leys's review of the ILO report, where he castigates its authors as naive. Given that their recommendations would run counter to the interests of powerful groups within the political economy, he says:-

> The obvious puzzle presented by these proposals is what incentive the mission thought all these groups - the heart and soul of the comprador alliance - might possibly have for making such sacrifices. (34, p. 422)

To many that will seem an excessively negative view, for it is precisely one of the attractions of redistribution through growth, with its emphasis on the more equitable distribution of future increments to income, that it offers a strategy less likely to be fought by the rich than an alternative which involves reductions in the existing incomes of the wealthy and their transfer to the poor. (See essay by Bell in 6.)

In short, 'enlightened self-interest' may provide the motive for making sacrifices - an awareness that some concessions need to be made in order to avert a revolutionary situation in which all the privileges of the elite would be threatened. Further, we should not take for granted that the wealthy and powerful constitute a cohesive social class with identical views on where lies their self-interest. The possible emergence of a pro-reform coalition should not be dismissed, in which the more 'enlightened' members of the elite form alliances with the middle class and workers' and farmers' groups to implement a more effective strategy of redistribution through growth. Leys heavily discounts such a possibility:-

> The mission wrote of social or political factors antithetical to its own proposals as 'interests' or 'obstacles' which would have to be over-ridden or overcome, as if there were some further 'interest' independent of these and more powerful, which would respond to its appeal. But in fact the political power of the compradors, and the political impotence of the 'working poor' and the unemployed, are equally integral parts of the mechanism of underdevelopment. (34, p. 424)

Whether, as Leys implies, the distribution of political power is as skewed as the distribution of income, and in favour of the same groups, is a matter for judgement which cannot be taken much further at the a prioristic level. However, the following observations may bear upon the judgements we form:-

(a) Nyangira's finding that political factors were of secondary importance in 'explaining' the geographical allocation of public resources, as compared with the universal and impersonal economic forces of circular causation, may give some encouragement to the view that political power is not being used to serve exclusively the narrow interests of ruling groups or, if used, is not overridingly powerful.

(b) Implementation and abuse of the Ndegwa Report recommendations (19, paras. 29-35) permitting civil servants to be involved in private business is thoroughly vicious in increasing public servants' identification with the interests of the wealthy elite, and may seriously reduce the feasibility of effectuating genuine reforms, for reasons analogous to those given by Langdon, cited earlier.

(c) The relative absence of a Kenyan middle class, suggested by the rather extreme polarisation in Table 1, is a factor unfavourable to the emergence of a pro-reform coalition.

(d) The decline in the influence of Parliament relative to the Cabinet and the civil service, the suppression of dissent in the ruling party, and its seemingly moribund state as a grass-roots organisation (underlined by the weak response to efforts to revitalise the party), are liable to reduce the receptivity of the political system to moves for political and economic democratisation.

(e) The increasingly closed nature of the ruling elite also appears to reduce the prospects of democratisation and of a redistribution of resources in favour of groups largely excluded from the elite.[33]

(f) The sheer numbers of the very poor, the rate at which those numbers are growing and the likelihood that their economic plight will become ever more desperate in the absence of reforms, introduce dynamic elements into the situation which may increasingly convince those in power that the alternative to reform is revolution.

(g) Future government attitudes towards progressive taxation and land reform are likely to provide crucial tests of the feasibility of reform. Given the income distribution of Table 1, adequate improvements in equity would necessitate more progressive taxation. In the matter of land reform, there is no question of improving the distribution of incremental additions because the area of land is fixed; land would have to be taken from large individual farmers.

The Fate of the ILO Recommendations

The analysis can be pursued at a rather more concrete level by studying the government's responses to the ILO report and drawing inferences from these about the possibilities of effective reform. It is possible to do this in a rather specific way because, to its credit, the government explicitly spelled out its initial responses to the ILO report in a 1973 Sessional Paper on Employment (20), which in turn found some reflection in the 1974-78 Plan.

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33. Nellis (40) gives figures for the proportion of leading posts (Ministers, Assistant Ministers and Permanent Secretaries) filled by members of the dominant ethnic group up-dated in correspondence with the author by R. Rasmusson as follows:-

1969	1972	1974
26.4%	28.9%	37.0%

Unfortunately, a study of these documents does not point to encouraging conclusions, for the government's response to the ILO proposals can only be characterised as one of dilution. By this word is meant a tactic in which the government responds to recommendations by expressing agreement in principle but an unwillingness to commit itself to specific actions. One illustration of this tactic has already been provided in the discussion of regional policy (page 15-17). In that case the Sessional Paper accepted the principle of regional quotas for the social services but no quotas were included in the Plan.

Policies towards the informal sector provide another illustration, and an important one in the context of redistribution through growth.[34] According to the Sessional Paper (20, p. 46) the "Government finds the report to be refreshingly innovative on the subject of the informal sector and generally accepts its recommendations". The chief ILO recommendations on this subject are set out in column (1) of Table 3 and the specific responses of the Sessional Paper in column (2). Despite the sympathetic tone, a process of dilution is already observable in column (2), with government acceptance qualified at several points by references to the need to study feasibility. This process is taken a good deal further in the Plan, whose relevant policies are summarised in column (3). Some of the proposals simply disappear (found unfeasible?) or are directly contradicted, as with the liberalisation of commercial licensing and (apparently) the relaxation of building standards. In fact, the Plan presents no systematic policy on the informal sector at all and those working in the sector are still subjected to official harassment.

These specific illustrations of the dilution of the ILO proposals also characterise the fate of the main thrust of the report.[35] The main features of the ILO's model of development for the Kenyan economy were (a) a freeze on the real incomes of the richest 10 per cent of the population; (b) employment of the resources thus release for "special" investment designed explicitly to reduce poverty and create employment; and

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34. Recall that the Plan (21, p. 4) projected the most rapid increase in employment to occur in the informal urban sector.

35. See the Sessional Paper on Employment (20, pp. 22-27) for a summary of the main ILO proposals and the government's response. Technical paper No. 6 of the ILO report provides a valuable quantification of their strategy proposals.

Table 3. Responses to the ILO proposals on the informal sector.

	ILO Proposals (pp. 21-22)	Sessional Paper on Employment (p.46)	1974/78 Development Plan
	(1)	(2)	(3)
1.	Cease demolition of slum housing except when land required for development.	Slum housing will not be demolished except when there is "overriding developmental reason".	No additional unauthorised housing; slums will be removed when alternative housing is found. (p. 473)
2.	Reduce incidence of trade and commercial licensing.)	Trade licensing should be revised along lines suggested.	Licensing system will be "reviewed". Policy is to promote competition compatible with "maintenance of viable enterprises". (p. 373) No mention of reducing incidence or of making available to all who can pay. This chapter makes no mention of the informal sector.
3.	Issue remaining licenses to all able to pay.)		
4.	Intensify research and development work on informal sector products.	Government will "examine feasibility".	No mention of informal sector in chapter on science and technology.
5.	Promote and train sub-contractors.	Feasibility will be examined.	A National Construction Company will be set up which will use sub-contractors. (p. 309)
6.	Government should buy more from informal sector.	Government should "find ways" to do this.	No mention found.
7.	Substitute direct payments for purchasing order system.	Feasibility "will be determined".	No mention found.
8.	There should be some relaxation in requirements for standardisation and quality, e.g. in civil service housing. (pp. 199-201)	Not mentioned.	Will "ensure that housing design and construction conform to Government standards ...". (p. 473)

(c) the setting of minimum income targets. The first of these is tacitly rejected by the Sessional Paper's (and Plan's) failure to respond to it. The second is accepted only in a very weak form:-

> The Government will continue to invest its resources in projects and programmes which provide maximum benefits for the poorest income group in the population. It should be noted that this may involve investment in projects which will probably benefit other income groups as well. (20, p. 24)

(Note the "continue to" and the rejection it implies of criticisms of past investment patterns.) The third suggestion, for the setting of minimum income targets, was also rejected.

This is not to deny that some of the ILO recommendations have been implemented. The abolition of the graduated personal tax, the imposition of duties on imported capital and intermediate goods, proportionately greater allocations of agricultural credit to co-operatives and smallholders, and the general thrust of incomes policies - all these have been in line with the ILO's proposals. Nevertheless, it was dilution that characterised most of the government's responses and one outcome of this tactic was that, although the Plan was influenced in a general way by the ILO report, it was very unspecific when it came to targets. With the exception of conventional growth targets and some rather non-operational employment projections,[36] the principal objectives of the Plan are not reduced to specifics. Target groups are not identified; income distribution and anti-poverty objectives are expressed in vague terms; agricultural targets provide no breakdown as between small- and large-farm output; industrial policies do not separately identify 'informal' processing; and so on. Given this lack of specificity it will, of course, be impossible to monitor the progress of the Plan in achieving its general goals, or to evaluate its effectiveness after the event.

This description of the fate of the ILO recommendations is likely to be taken as ample justification of Leys's scepticism about the political realism of the ILO; certainly it provides little comfort to those who hope

36. The employment projections on p. 4 of the Plan employ categories quite different from those used in the official labour statistics, making it impossible to employ the latter to monitor progress towards the Plan's targets.

for a vigorous response by the government to the problems of equity and employment. A defence is possible, on the other hand, on the grounds that various of the key ILO proposals were simply impracticable given the then existing state of knowledge. It is difficult to dispute the reasonableness of the statement in the Sessional Paper (20, p. 24) that "The Government feels that it possesses neither sufficient information nor sufficient means by which it can accept as policy objectives the specific minimum incomes suggested in the report" - an objection that could be applied equally well to the suggested freeze on the top 10 per cent incomes. There was at the time insufficient data on the distribution of income, the incidence of poverty, the under-utilisation of labour, and other key variables for the setting of numerical targets to be meaningful.

Moreover, there have subsequently been a number of major initiatives from the Central Bureau of Statistics which, if only the manpower can be found to analyse the data, could greatly increase our knowledge of these problems so that at least the next Plan could be more specific.[37] On the other hand, it is not clear that the impulse for these improvements came from the planners or their Minister, nor is it apparent that they have given much thought to the assimilation of the Bureau's new data into the general planning machinery. In fact, it seems likely that some of the important new information that is planned for the future will not be available in time to help with the preparation of the next five-year plan.

Post-plan Decisions

The 1974-78 Plan was largely written during 1973 and by the time of its publication in 1974 much of it had been overtaken by the 'oil crisis'. In recognition of this radical change in the external environment and the consequent need to revise its own plans, the government issued Sessional Paper No. 4 of 1975, On Economic Prospects and Policies. (22) This contains projections of government revenues and expenditures directly comparable with those presented in the Plan and thus provides a useful guide to government's

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37. c.f. "Towards a Social Perspective: a Statistical Appraisal", Kenya Statistical Digest, (29). This lists a wide range of social indicators that already exist or are planned for the future, to be obtained from a national integrated sample survey. See also the Bureau's new periodical publication, Social Perspectives, the first issue of which appeared in June 1976. (26)

revealed preferences in a worsened economic situation.

Expenditure projections are compared in Table 4, with generally encouraging results. One of the main departures of the Plan from the previous pattern of government spending was a proportionate increase in the allocation to agriculture and water development, at the expense of departments such as the Offices of the President and Vice-President, and the

Table 4. Projected shares of major departments in total planned government spending.

(% of total)

		Plan, 1973/74-1977/78	Sessional Paper 4/75, 1974/75-1977/78
1.	Office of the President	3.2	3.0
2.	Vice President and Home Affairs	5.4	5.1
3.	Finance and Planning	3.8	2.8
4.	Defense	5.3	5.0
5.	Agriculture	8.5	11.2
6.	Water Development	3.8	5.4
7.	Health	6.8	6.6
8.	Works	12.8	11.7
9.	Lands and Settlement	2.5	1.9
10.	Education	20.4	19.8
11.	All other departments	27.5	27.5
12.	TOTAL	100.0	100.0
	of which:-		
13.	Recurrent	67.3	66.0
14.	Capital	32.7	34.0

(Note: Major spending departments are defined as those responsible for 2.5 per cent or more of total projected expenditures in the Plan (recurrent and capital).

Sources: 21, tables 7.3, 7.5 and 7.7.
22, tables 2, 3 and 4.

Ministry of Works.[38] Table 4 reveals a reinforcement of these changed priorities, with further increases in the shares of agriculture and water development, at the expense of various other departments including those just mentioned. This comparison thus provides some reassurance of political commitment to the spending priorities in the Plan (a commitment further confirmed in the 1976 budget estimates), although difficulties were being experienced in translating these priorities into practice[39] and sceptics may add that these changing priorities are at least partially a reflection of changing patterns of external aid availabilities.

Table 5 presents a similar comparison for the composition of government revenues. The results in this case are unfortunately much less encouraging.

Table 5. Projected composition of government current revenues, 1974/75 to 1977/78.

		(% of total) Plan	Sessional Paper 4/75
1.	Company income tax	12.4	16.8
2.	Personal income tax[a]	15.5	6.7
3.	Sales tax	12.2	21.5
4.	Excise taxes	9.5	8.0
5.	Import duties	18.3	21.1
6.	Appropriations-in-aid	10.4	8.3
7.	Other and unidentified	21.7	17.6
8.	TOTAL	100.0	100.0

Note: (a) The title given to this item in the Plan is "Income Tax - other" and in the Sessional Paper "Income and other taxes on households". The figures may thus not be completely comparable, although examination of detailed revenue data suggests that discrepancies between the two itemisations can only be minor.

Sources: 21, table 7.2;
22, table 5.

38. See Plan, (21), table 7.4. Note that the figures in table 7.4 are not directly comparable with those in my table 4.

39. The Plan Implementation Report, 1973/74, (23), tables 1b and 1c show that agriculture under-spent in 1973/74 whereas there was substantial over-spending by the Office of the President, the Ministry of Home Affairs and the Ministry of Health.

The chief changes revealed in this table are a massive proportionate shift away from personal income taxation and an almost exactly equal rise in the proportion of revenue to be raised by the sales tax. Given the reasonable, if tentative, presumption that, at the upper end of the income scale, the income tax is more progressive than the sales tax, and the comments earlier (page 13) about the lack of progressivity in the tax structure, the revealed shift in planned revenues must be greeted with dismay by those looking for redistribution through reform. A major change appears to have occurred on taxation policy between the publication of the two documents, but it is a change that is not spelled out in the Sessional Paper. This further undermines whatever substance might have underlain the statement in the Plan that "the better-off members of the community will contribute proportionately more to Government revenue through taxation".[40] In this respect, then, a weak degree of government commitment is revealed.

Conclusion

The conclusions drawn from the considerations presented in this section are necessarily judgemental. Neither the logic of the situation nor the evidence point uniformly to an unambiguous conclusion; there is ample scope for alternative interpretations. Nevertheless, it would be an evasion to deny that, on balance, the main burden of this section has emphasised the essentially negative influence of Kenyan political realities as constraints on the implementation of a strengthened strategy of redistribution through growth. There is certainly scope for some improvement. It should be possible, for example, to strengthen population policies without falling foul of vested interests (although the strongly ethnic character of Kenyan politics militates against reduced fertility). Nevertheless, it seems likely that many of the changes suggested in the section on implications for future planning may not be politically feasible at present, for a pro-reform coalition has yet to reveal itself within the government. There

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The fate of the capital gains tax announced in the 1975 budget and justified on equity grounds is also revealing. For in response to complaints the Minister of Finance made provisions for tax relief and other concessions along lines suggested by the business community. (See Walker, (47), and Weekly Review, 24 May 1976.) In consequence, the Treasury no longer expects this tax to yield more than small amounts of revenue, rendering it irrelevant to the distribution of income and wealth. In fact, the 1976/77 budget estimates make no provision at all for receipts from this tax.

are also many who complain that a malaise has fallen upon the government's economic decision-making processes, making it difficult to effect improvements even if the will were there.[41]

Meanwhile, the problems addressed by redistribution through growth remain, omnipresent and worsening. It is thus not the essential desirability of the strategy that is called into question but the possibility of achieving adequate reforms within existing economic and political structures. Time is not on the side of those who, like the present writer, would seek a reformist solution.

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41. One of the necessarily few public expressions of this complaint is provided by Judith Heyer:-

> It is the Ministry of Finance and Planning and the Ministry of Agriculture, but not the President's Office, that pushes rural development. There is no initiative coming from the high-level political organs.... Another factor which militates against optimism about the agricultural sector is the inertia of the bureaucracy, the difficulties in getting changes in things like the extension service and the administrative services that reach the rural areas. The agricultural extension service is crucial, as is the administration. Many of its problems are now recognised, but it is almost impossible to do anything about getting things changed.... Machinery is clogged up, bureaucracies are unable to cope, and everything is slowing down. (10, p. 30)

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